

Message Text

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ACTION SS-25

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C O N F I D E N T I A L BONN 15304

EXDIS

E.O. 11652: GDS
TAGS: EAID, GW, EG
SUBJ: ASSISTANCE TO EGYPT - GERMANY

REF: STATE 216590

1. EMBOFF MET WITH SAHLMANN ON SEPTEMBER 10 TO
REVIEW GERMAN AID TO EGYPT, AS WELL AS WITH DR. GEHRING
IN ECONOMICS MINISTRY, WHO CHAIRS GOVERNMENT COMMITTEE
THAT APPROVES HERMES EXPORT CREDIT GUARANTEES.
SAHLMANN ARGUED THAT HIS OFFICE CAN DO LITTLE
TOWARD PLANNING EGYPT AID PROGRAMS IN NEXT FISCAL

YEAR UNTIL AT LEAST CABINET AGREEMENT IS REACHED ON
OVERALL AID BUDGET. BECAUSE OF UPCOMING OCTOBER
ELECTIONS, SUCH BUDGET DISCUSSIONS HAVE BEEN POSTPONED,
PROBABLY UNTIL NOVEMBER. SAHLMANN POINTED TO CON-
SIDERABLE PUBLICITY GIVEN IN GERMAN PRESS TO CONTRAST
OF WEALTH AND POVERTY IN EGYPT AND TO MISUSE OF FOREIGN
ASSISTANCE. HE INDICATED THAT EGYPTIAN ECONOMIC
REFORMS ARE IMPERATIVE IF FRG AID PROGRAMS ARE TO BE
MAINTAINED AT PRESENT LEVEL. FUTURE GERMAN AID
PROGRAMS WILL IN ANY CASE BE DESIGNED TO MINIMIZE
OPPORTUNITIES FOR MISUSE BY EGYPTIAN RECIPIENTS.

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FOR INSTANCE, SAHLMANN VERY MUCH DOUBTS THAT ADDITIONAL

STANDBY CREDITS FOR COMMODITY AID SHIPMENTS WILL BE OFFERED. FUTURE COMMODITY AID WILL INSTEAD BE TIED TO PROJECTS.

2. AN IMPORTANT INSIGHT CONCERNING STATUS OF GERMAN CREDIT GUARANTEES WAS OFFERED BY DR. GEHRING. A CREDIT GUARANTEE CEILING OF DM 250 MILLION WAS ESTABLISHED FOR EGYPT IN JULY 1974. DURING SADAT'S VISIT IN APRIL 1976, AN ADDITIONAL DM 300 MILLION CEILING WAS ESTABLISHED FOR PRIORITY PROJECTS. WHILE APPLICATIONS FOR CREDIT COVER HAVE BEEN HEAVY, A LARGE PORTION OF THE GUARANTEE CEILINGS REMAINS UNCOMMITTED. AS OF SEPTEMBER 1, DM 16.6 MILLION FROM THE DM 250 MILLION TRANCHE AND DM 256 MILLION FROM THE DM 300 BILLION TRANCHE ARE UNCOMMITTED. ATTRIBUTING GOE BUREAUCRACY AS SOURCE OF THIS PROBLEM, GEHRING EXPLAINED THAT HERMES DOES NOT GIVE FINAL APPROVAL TO AN APPLICATION UNTIL EGYPTIAN AUTHORITIES HAVE REVIEWED AND APPROVED IT. WITH VERY FEW EXCEPTIONS, THE EGYPTIAN REVIEW IS COMPLEX AND TIME-CONSUMING. IN SOME CASES, APPLICATIONS HAVE BEEN TIED UP WITHIN THE EGYPTIAN BUREAUCRACY FOR YEARS. RE TERMS, GEHRING INDICATED THAT GUARANTEES COULD BE APPROVED FOR MATURITIES EXTENDING UP TO TEN YEARS.
HILLENBRAND

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